

Hourly Rates in Am Law 100[®] Firms: Increases and Key Drivers

brightflag

In Partnership with:
 **PRIORI**

Table of Contents

- Introduction 3
- Methodology 4
- Rate Increases 5
- The Key Drivers of Rates..... 6
 - Firm Size 7
 - Practice Area 8
 - Geography 9
 - The Impact of Resourcing 10
- Comparing Alternatives: Flexible Talent & ALSs 11
- Recommendations 13
- About Brightflag 15
- About PwC 15
- About the Authors 16

¹ The AM LAW 100 is a registered trademark of ALM Global Properties, LLC, which has no affiliation with Brightflag or this report.

Introduction

Outside counsel rate increase requests roll in like clockwork every year. It's a tradition that in-house legal teams have come to anxiously anticipate as they contend with limited budgets.

Legal departments don't have to accept rate increases as a given, though. They can exert greater control over negotiations if they have the right data in-hand, and know how to leverage it.

This report provides benchmark data to help in-house teams assess rate increase requests and to resource work in a more cost-effective manner. While the rates of Am Law® 100 firms tend to be higher than other firms, in-house teams often rely heavily on the Am Law® 100 for large tranches of work — especially the matters that drive a majority of annual spend.

Inside this report you'll find breakdowns of rate increases among the top 100 US law firms, sourced from Brightflag's database of billions of dollars of analyzed outside counsel spend. You'll also find data—courtesy of Priori—on the cost-saving potential that using flex resources can provide.

Given that hourly rates are a key driver of legal spend, this report provides the insights legal departments need to get a handle on legal costs. We hope that it will help you engage in more informed rate negotiations with law firms, develop resourcing strategies that increase the value you receive from outside counsel, and seek out more cost-effective ways of outsourcing legal work.



Michael Dineen
Michael Dineen
VP of Data Science,
Brightflag



Sarah Scales
Sarah Scales
Head of Product Marketing,
Brightflag



Matt Wheatley
Matt Wheatley
VP, Client Strategy,
Priori

Methodology

This report analyzes rates data for Am Law® 100 firms, and data on the typical costs of outsourcing work to flexible legal resources.

The Am Law® 100 is comprised of the top 100 highest-revenue US law firms, as ranked by ALM*. The analysis of Am Law® 100 rates in this report is conducted using Brightflag's database of billions of dollars of analyzed outside counsel spend.

Billed rates (i.e. the rates firms actually charge on invoices) are used as the basis of this analysis, as opposed to rack rates or requested rates. Where 2024 rates data is analyzed in the report, data on work billed from January 1 to June 30, 2024 was used. For other years, full-year data was used.

Priori's analysis of flexible talent rates is based on billed rates as seen on Priori's platform which includes 8,000+ legal professionals. These rates are heavily influenced by a variety of factors, including volume, time commitment, complexity and years of experience, among others.



*ALM Global Properties, LLC is the owner of U.S. Trademark Registration No. 2313571 for the mark "THE Am Law® 100".

Rate Increases

Rates for the top 100 US firms have increased by 10% in 2024 compared to 2023. This is the most significant rate increase in the past three years.

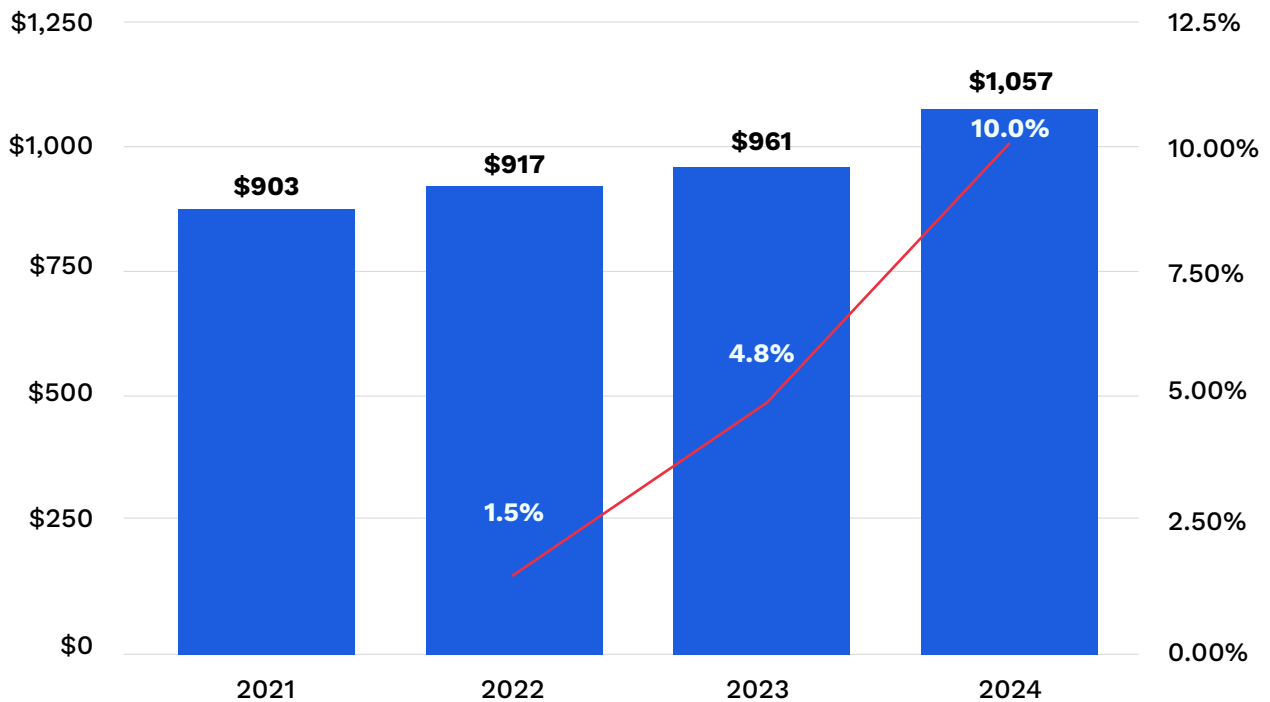
The below chart shows the annual increase in the blended rate charged by the top 100 US firms. The blended rate represents the cost of one hour of work.

The increase in blended rate in 2024 is over twice as high as the prior year.

The strongest rate increases were achieved by the top 50 US firms, whose blended rate increased by 12.1%. The bottom 50 firms also made significant gains of 3.1%.

This data suggests that in-house teams accepted substantial rate increases from firms during the 2024 rate increase negotiation cycle.

Change in Blended Rates in Top 100 Firms ■ Blended Rate — Year-over-year Change



The Key Drivers of Rates

Rate increases have the potential to put a major strain on legal budgets. However, in-house teams ultimately have final say over which outside counsel firms they choose to engage.

Despite this fact, in-house teams have a tendency to instruct work to the same firms every year.

That's because leaning on long-standing, trusted relationships with outside counsel and their familiarity with your business can greatly enhance the efficiency and success of individual matters. However, reflexively engaging the same firms can also result in in-house teams hiring top law firms for low-risk, routine tasks that could be resourced elsewhere for a lower cost.

In the following sections, we will delve into the key drivers of high hourly rates and provide strategies for in-house teams to develop a more cost-effective engagement strategy.



Firm Size

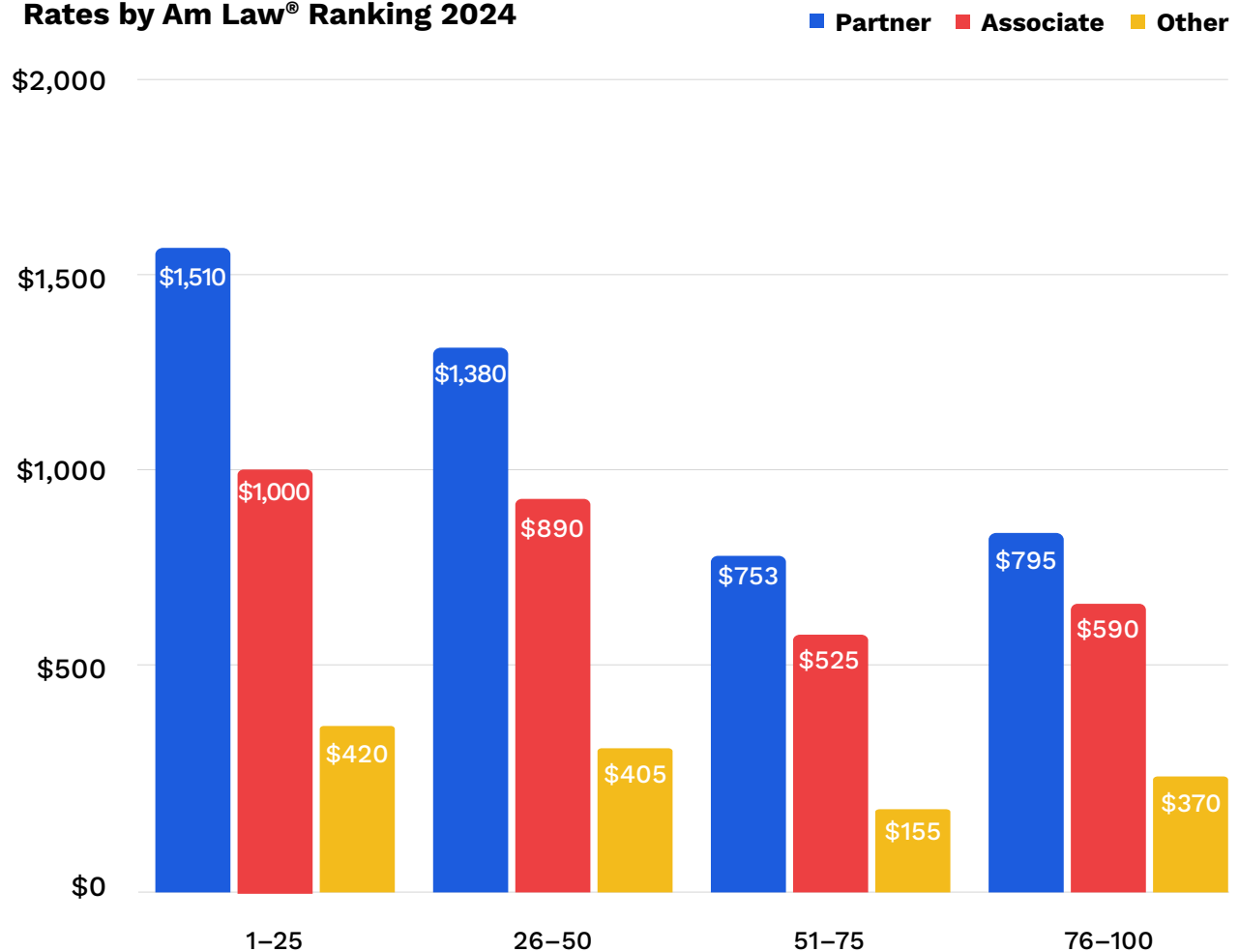
Firm size has a significant impact on hourly rates.

The below graph charts the hourly rates charged by firms of different sizes, represented by their ranking on the list of top 100 firms.

Rates fall steadily as the size of the firm decreases, with top 50 firms commanding a large premium. This reflects the strong market power and prestige of the largest firms.

A clear distinction can be seen in the chart between the top 50 firms and those lower on the list. The typical rate charged by a partner in the top 50 firms is almost double that of firms ranked 51-100.

Rates by Am Law® Ranking 2024



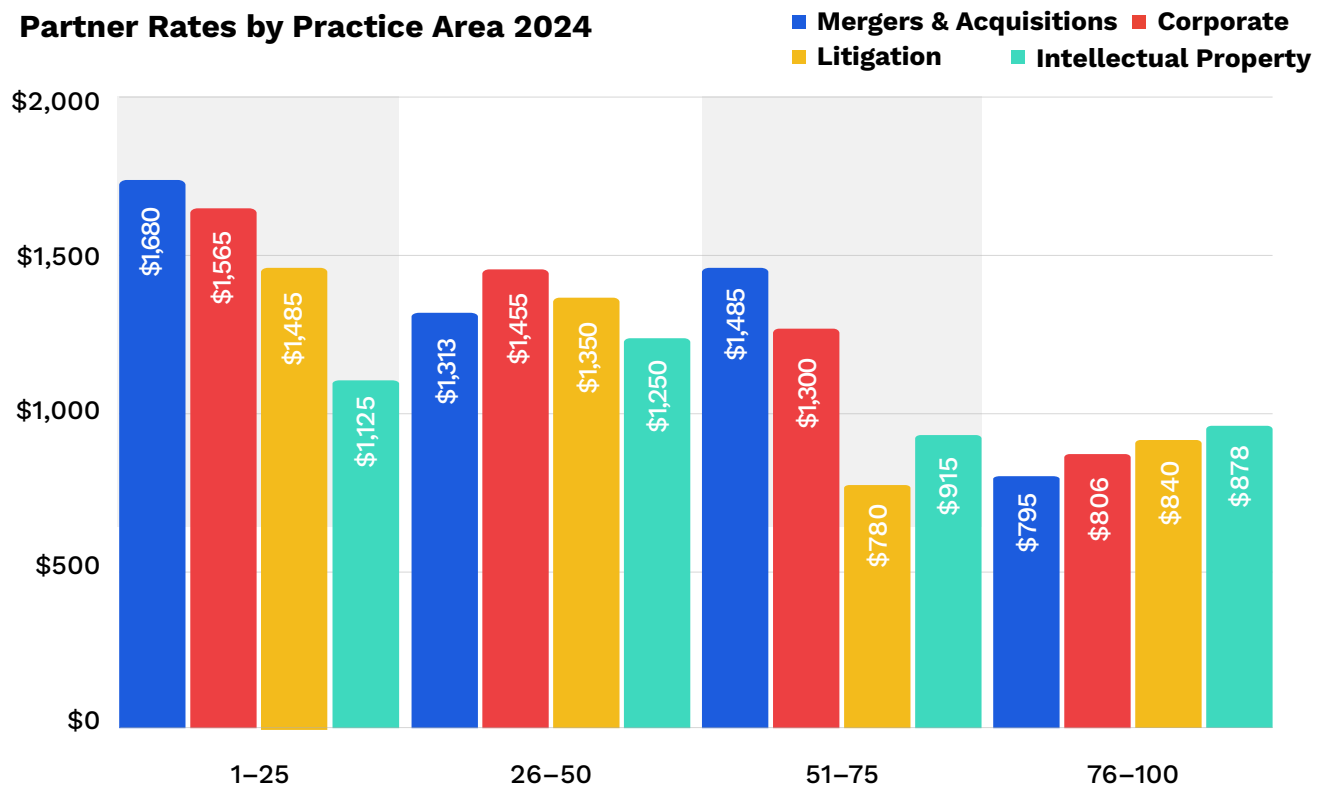
Practice Area

Practice area also a strong influence on hourly rates.

Mergers and Acquisitions work commands the highest rates, with the top 25 firms charging partner rates of \$1,680 per hour.

Corporate rates are also high among the top 75 firms, while litigation rates are high in the top 50 firms, and experience a dropoff for firms with lower rankings.

Partner Rates by Practice Area 2024



For strategic, high-risk matter types such as M&A and major litigation, it may be appropriate to instruct firms with high hourly rates that also have deep specialism and relevant expertise.

However, it is worth examining the work being sent to these high-cost firms to determine if it is truly strategic and high-risk. For many legal departments, such an examination will lead to the conclusion that some matters, or tranches of routine work within large matters, can be resourced more cost-effectively with a smaller firm or an alternative legal service provider (ALSP).

Geography

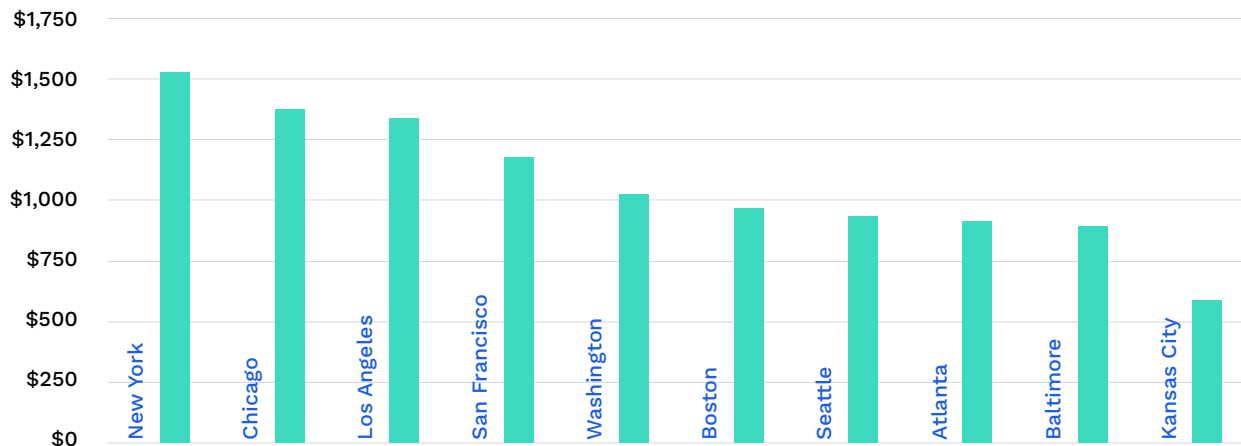
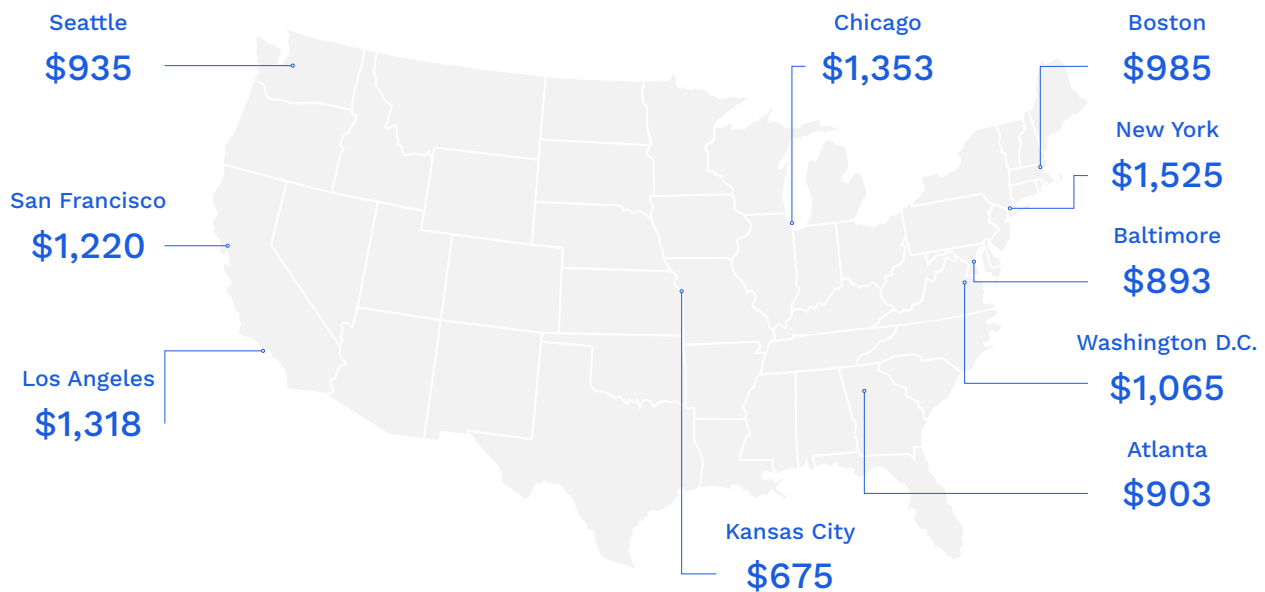
Within the top 100 US law firms, the rate charged per hour is highly dependent on the geographic location of the fee earner.

The below charts show the partner rates charged by top firms in different US metro areas.

Rates charged in New York are **over twice as high** as those charged in Kansas City.

While it is well-understood that regional firms charge less than top 100 firms, it's important to note that working with teams that are located outside of major population hubs even within top 100 firms can lead to sizable cost savings.

Partner Rates by Metro Area 2024



The Impact of Resourcing

Outside counsel resourcing is just as important as the rates they charge.

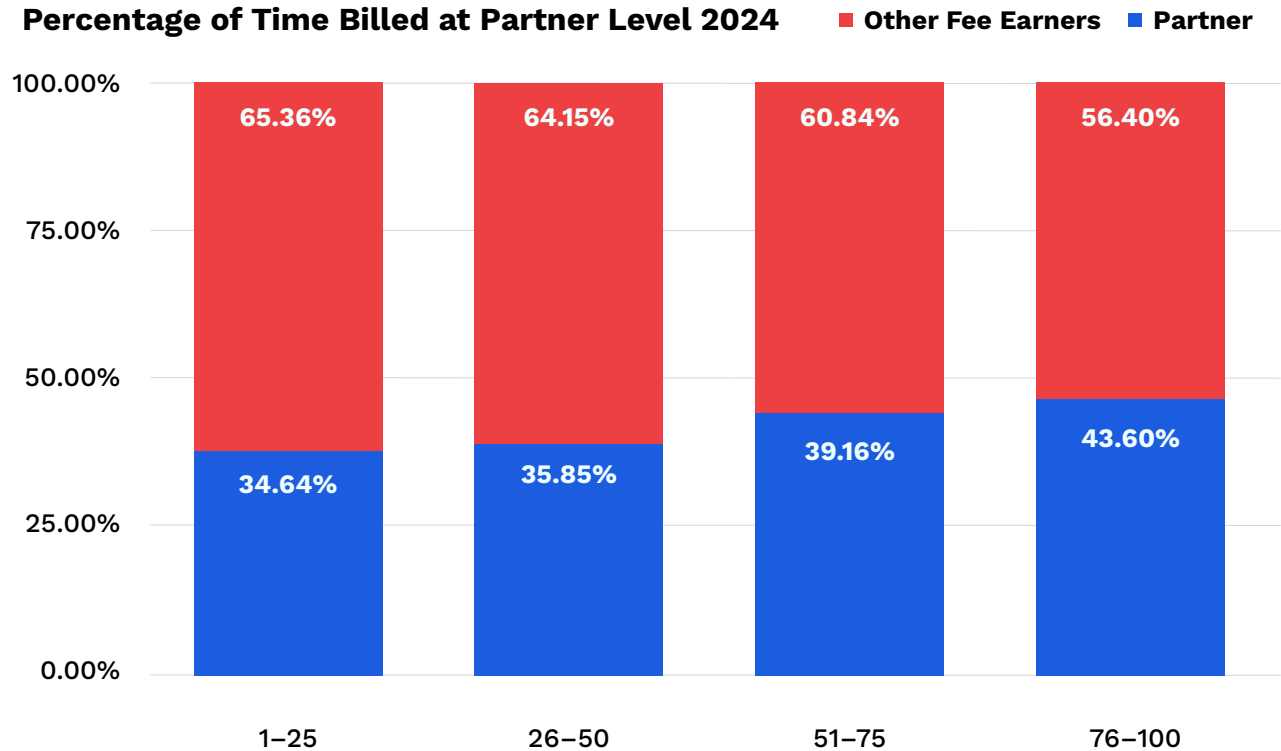
It is particularly impactful to monitor the proportion of time partners bill on matters compared to other fee earners, since partners charge so much more than other fee earners.

The below graph shows that the top 100 US firms resource 35-45% of work at partner level. However, an interesting trend can be seen in how firms of different sizes resource work.

The top 50 firms resource around 35% of work at partner level, while the bottom 50 resource 40-45% of time at partner level.

This likely reflects the sensitivity of in-house teams that engage the top 50 firms to their high partner rates, which can be twice as high as the rates charged by partners in the bottom 50 firms.

Percentage of Time Billed at Partner Level 2024



Comparing Alternatives: Flexible Talent & ALSPs

Presented by Priori |  PRIORI

“Right-sourcing,” a term that describes the process of categorizing legal work and shifting it to internal and external providers that offer the most value, has become a buzzword in the legal industry because the idea it represents is a powerful one. In-house teams that think strategically about where their legal dollars are spent can save money while increasing value even as rates rise.

Assessing Value

When in-house teams think about right-sourcing work, internal alignment on goals and evaluation criteria is key. The goals most teams want to achieve are not surprising: business enablement, risk avoidance, cost savings, increased efficiency in selecting providers and completing work, and higher levels of satisfaction are common.

When evaluating which work is appropriate for top firms and which can go to alternative providers, in-house teams look at the risk complexity, volume and duration of the work.

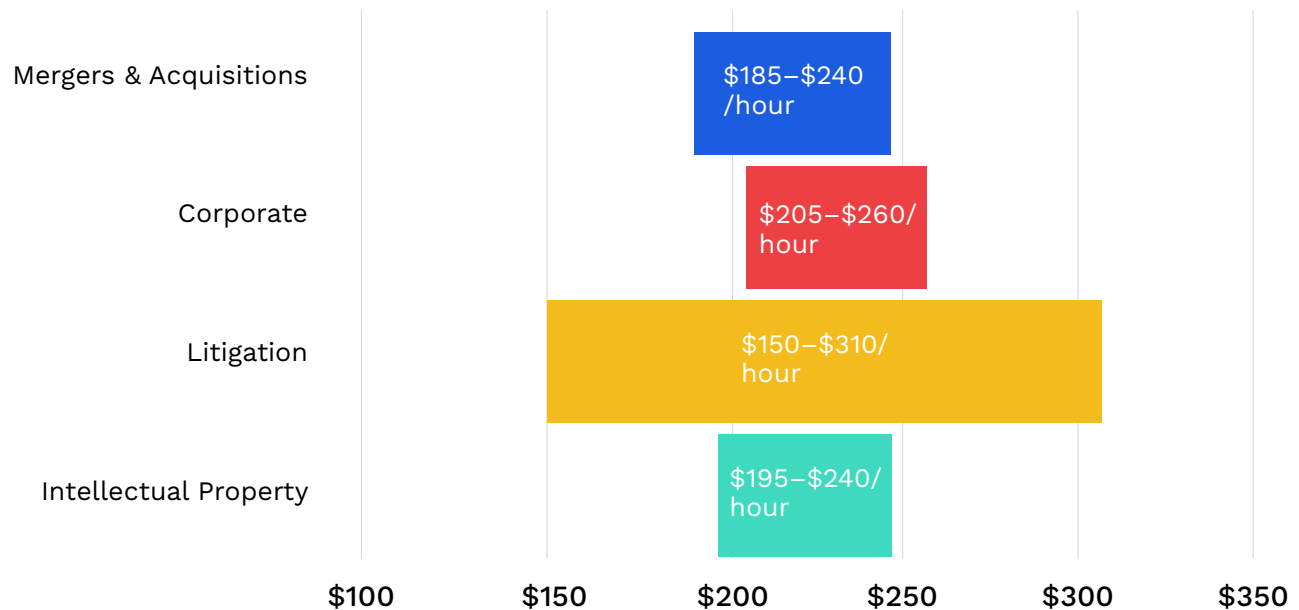
For example, high-risk, high-complexity work like bet-the-company litigation would go to a top firm with senior in-house supervision. On the other hand, a flexible talent provider, ALSP or platform like Priori’s Marketplace that offer customizable and scalable support, may provide more value for litigation with less risk or less visibility to company leadership.

Factors Influencing Flexible Talent & ALSP Rates

Several factors affect how much in-house teams pay for work done by flex talent providers and ALSPs including project volume, weekly time commitment (if applicable), complexity, and years of experience, among others.

Below is a snapshot of typical rates for flexible talent providers by practice area in 2024. As an example of the factors noted above, the bottom of these rate ranges reflects consistent volume while the high-end are indicative of ad hoc projects.

Flexible Talent Rates by Practice Area 2024:



We typically see an average of a 30% rate reduction between ad hoc projects and volume engagements.

Recommendations

Armed with the information in this report, in-house teams can have strategic conversations with their law firms about acceptable rate increases, and can also create an engagement strategy that generates cost efficiencies.

However, effectively controlling rates is not a one-and-done task. To truly get a handle on outside counsel rates—and therefore on legal spend—here are a few strategies that legal teams can employ:

Use an e-billing system to enforce rates

It's impossible to have informed rate discussions if you don't know what rates you are currently being charged.

To track timekeeper rates effectively, in-house teams should require that firms submit rate requests for all their fee-earners via an [e-billing system](#). Your e-billing system can then do the heavy lifting of ensuring that the approved rates are charged correctly on every invoice—and flagging any instances where they're not.

Leverage data to better understand—and push back on—rate increase requests

Many in-house teams mandate that rate increase requests only be submitted once per year.

With the help of your e-billing system, you can gather these rate increase requests from your firms and benchmark them against the rates you're currently paying. This will give you insight into the percentage uplift of the requested increase, and allow you to examine the reasoning behind the increase request so you can determine whether it is appropriate.

Remember: You don't have to accept blanket rate increases. Have honest discussions with your firms if the proposed rate increases seem excessive—especially if you have the data to back it up.

Create an outside counsel engagement strategy

It is all too easy for in-house teams to continue instructing work to the same firms they have always used, without considering the savings that can be gained from a more structured approach to resourcing.

Assess your outside counsel spend by vendor, matter type, and geographical location to identify the areas with the biggest potential for savings.

A good e-billing tool helps by giving you immediate access to this information.

Use a risk matrix to use Am Law® 100 firms only when appropriate

If you instruct Am Law® 100 firms today, they're likely to remain an important part of your engagement strategy, even after identifying work that can be moved to lower-cost providers. So how can your in-house counsel know when to engage these top firms and when to instruct work to other providers?



Creating a risk matrix is the best way to ensure that only your highest-risk and most complex matters are instructed to Am Law® 100 firms. Track the level of risk and complexity associated with each of your matters. Matters that are both high risk and high complexity can continue to be instructed to Am Law® 100 firms, while other matters can go to regional firms, alternative legal service providers, or be resourced with internal staff.

Monitor partner time

Excessive billing of partner time can have an outsized impact on legal spend. Ask your firms to limit partner time to the amount strictly necessary. Then, regularly monitor partner resourcing in your e-billing system to ensure that actual billing is in line with this expectation.

About Brightflag

Brightflag is modern e-billing and matter management software for legal teams and their finance partners to operate like a business, backed by the best customer service you've ever experienced. Clorox, Shopify, Volvo, and other leading companies use Brightflag to create and protect business value by effectively controlling their budget. It's the only platform that has AI at its core powering e-billing, financial reconciliation, financial planning, and vendor benchmarking.

About Priori

Priori is a legal technology company that transforms how companies identify the right lawyers and law firms in the \$650B+ legal services market. Priori Marketplace connects corporate legal departments with a network of 8,000+ attorneys and other providers at firms of all sizes. Priori Scout builds on Marketplace with panel management, RFP, and scorecarding technology to allow legal departments to find best-fit providers from within their trusted network.

About the Authors



Michael Dineen
VP of Data Science, Brightflag

Michael leads data science at Brightflag and is passionate about AI and the future of legal operations. He is the architect of Brightflag's patented AI engine. Michael has a Masters in Machine Learning from DIT Dublin and an MLitt in Philosophy from the University of St Andrews in Scotland. Prior to Brightflag, Michael worked in consulting helping UK and Irish organizations leverage machine learning to enhance their operations and customer targeting.



Sarah Scales
Head of Product Marketing, Brightflag

Sarah Scales leads product marketing at Brightflag, including developing thought leadership and research for the benefit of the in-house legal community. Sarah has previously worked as a product manager at Brightflag and a market researcher for a variety of public projects.

Sarah has a Bachelor of Law and Political Science from Trinity College Dublin and is pursuing a Masters in Product Management from Technological University Dublin



Matt Wheatley
VP, Client Strategy, Priori

Matt Wheatley leads client strategy at Priori, where he plays a pivotal role in connecting in-house legal teams with a dynamic network of flexible legal practitioners.

Matt began his career practicing law before transitioning to legal recruiting and later joining Priori in 2021. His background gives him a unique perspective on the evolving legal industry, and he has spent years working with attorneys to navigate both traditional and nontraditional legal careers.

Matt holds a Doctor of Law (JD) from the University of Kentucky J. David Rosenberg College of Law.